

**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait**

**Consolidated Financial Statements with Auditor's Report  
For the Financial Year Ended 31 December 2023**

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State of Kuwait**

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For the Financial Year Ended 31 December 2023

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## Independent auditor's report

### To / Shareholders

**Kuwait Emirates Holding Company K.S.C.P.**

**State of Kuwait**

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Kuwait Emirates Holding Company - K.S.C.P. ("The Parent Company") and its subsidiaries (collectively referred to as the "Group") – which includes the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year ending on that date and a summary of significant accounting policies and notes to the consolidated financial statements.

In our opinion, the attached financial statements present fairly, in all material respect, the consolidated financial position of the Group as at 31 December 2023, its consolidated financial performance and its consolidated cash flows for the financial year ending on that date in accordance with international financial reporting standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

Without qualifying our opinion, we would like to point out to the recent developments in the Syrian Arab Republic regarding the significant decline in the exchange rate of the Syrian pound against foreign currencies as of 30 July 2023, as the total assets of the group from subsidiaries within the Syrian Arab Republic as at 31 December 2023 amounted to KD 9,416,317 representing 67% of the total assets of the group (31 December 2022: KD 20,254,380, representing 82% of the total assets of the group), as the group has estimated that future political events and economic changes in the Syrian Arab Republic are unlikely to have an impact on the book value of those assets, excluding the current effect on the translation of these currencies for the financial year ending on 31 December 2023.

### Other matter

The Group's financial statements for the financial year ending on 31 December 2022 were audited by another auditor, who expressed an unqualified opinion on those financial statements on 23 March 2023.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the group for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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## Independent auditor's report (continued)

To / Shareholders

Kuwait Emirates Holding Company K.S.C.P.

### Report on the audit of the consolidated financial statements (continued)

#### Key audit matters (continued)

##### Evaluation of investment properties

Investment properties amounting to KD 7,499,962 as at 31 December 2023 represent a significant portion of the group's total assets. Determining the fair value of these properties relies heavily on estimates and assumptions. We considered this to be a key audit matter.

The Group conducts an annual evaluation through licensed evaluators to determine the fair value of investment properties. These valuations are based on some key assumptions such as income approach, comparative market prices, and discounted cash flows.

When estimating the fair value, the evaluators used the comparative market price method taking into account the nature and use of investment properties.

##### How our audit dealt with these matters

Our audit procedures included the following procedures and other matters:

- We reviewed evaluation reports received from licensed evaluators.
- We evaluated the adequacy and appropriateness of the group's disclosures contained in (Note 5 and Note 20) about the consolidated financial statements.

##### Financial assets at fair value through the statement of other comprehensive income

The financial assets at fair value through the statement of other comprehensive income in the amount of KD 2,112,794 as at 31 December 2023 represent a significant portion of the group's total assets, and consists of quoted foreign shares and unquoted local and foreign shares. Determining the fair value of these assets relies heavily on estimates and assumptions. We considered this to be a key audit matter.

##### How our audit dealt with these matters

Our audit procedures included the following procedures and other matters:

- We tested Level 1 fair value by comparing the fair value applied by the Group with published data available in the market.
- For Level 2 and 3 assessments, we tested the model and assumptions used by management and cross-checked the underlying data used in the assessment, to the extent possible, against independent sources and externally available market data for the purpose of assessing the relevance, completeness and accuracy of the data to the assessment.
- We verified the significant judgments and assumptions applied to the valuation model, including discounts for non-marketability.
- We evaluated the adequacy and appropriateness of the group's disclosures contained in (Note 6 and Note 20) about the consolidated financial statements.

##### Properties held for trading

Properties held for trading amounting to KD 3,950,750 as at 31 December 2023, represents a significant portion of the group's total assets. Determining the fair value of these properties relies heavily on estimates and assumptions. We considered this to be a key audit matter.

The Group conducts an annual evaluation through licensed evaluators to determine the fair value of these properties. These valuations are based on some key assumptions such as income approach, comparative market prices, and discounted cash flows.

When estimating the fair value, evaluators used the income approach method, taking into account the nature and use of these properties.

##### How our audit dealt with these matters

Our audit procedures included the following procedures and other matters:

- We reviewed evaluation reports received from licensed evaluators.
- We evaluated the adequacy and appropriateness of the group's disclosures contained in (Note 7) about the consolidated financial statements.

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## Independent auditor's report (continued)

To / Shareholders

Kuwait Emirates Holding Company K.S.C.P.

### Report on the audit of the consolidated financial statements (continued)

#### Other information included in the Annual Report of the Group for the year ended 31 December 2022

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We have not obtained the annual report, including the report of the Group's Board of Directors, prior to the date of our auditor's report, and we expect to obtain these reports after the date of our auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

#### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.

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**Independent auditor's report (continued)**

**To / Shareholders**

**Kuwait Emirates Holding Company K.S.C.P.**

**Report on the audit of the consolidated financial statements (continued)**

**Auditor's Responsibilities for the Audit of the consolidated financial statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding, among other matters, the planned and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate with Those Charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 And amended by Law No. 15 of 2017, and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, and According to information available to us, no violations of the Companies Law No. 1 of 2016 And amended by Law No. 15 of 2017, and its Executive Regulations, or of the provisions of Law No. 7 of year 2020 concerning the Capital Markets Authority, Executive Regulations and its related regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, during the financial year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or the consolidated financial position of the Group.

  
**Nayer Awadh Nazar**  
**Authorized Public Auditor No. 43-Grade A.**  
**Nazar and Partners**  
**Member of Nexia International**  
**Registration No. in the Capital Market Authority**  
**EA/2020/49**

**State of Kuwait: March 28, 2024 .**

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**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait**

**Consolidated Statement of Financial Position  
As at 31 December 2023**

	Notes	2023 KD	2022 KD
<b>Assets</b>			
<b>Non-Current assets</b>			
Investment properties	5	7,499,962	12,725,426
Financial assets at fair value through statement of other comprehensive income	6	2,112,794	7,552,989
		<u>9,612,756</u>	<u>20,278,415</u>
<b>Currents assets</b>			
Properties held for trading	7	3,950,750	3,950,750
Accounts receivable and other debit balances		100,321	321,921
Cash and cash equivalent	8	413,091	271,830
		<u>4,464,162</u>	<u>4,544,501</u>
<b>Total assets</b>		<u>14,076,918</u>	<u>24,822,916</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Capital	9	17,627,690	17,627,690
Statutory reserve	10	139,253	139,253
Change in fair value reserve		349,915	5,790,110
Foreign currency translation reserve		(6,997,110)	(875,668)
Accumulated losses		(1,245,287)	(1,495,905)
<b>Total equity attributable to the shareholders of the Parent Company</b>		<u>9,874,461</u>	<u>21,185,480</u>
Non-controlling interest		<u>3,804,542</u>	<u>3,264,398</u>
<b>Total equity</b>		<u>13,679,003</u>	<u>24,449,878</u>
<b>Liabilities</b>			
<b>Non-Current liabilities</b>			
Provision for end of service indemnity		<u>19,224</u>	<u>16,976</u>
		<u>19,224</u>	<u>16,976</u>
<b>Current liabilities</b>			
Accounts payable and other credit balances	11	<u>378,691</u>	<u>356,062</u>
		<u>378,691</u>	<u>356,062</u>
<b>Total liabilities</b>		<u>397,915</u>	<u>373,038</u>
<b>Total equity and liabilities</b>		<u>14,076,918</u>	<u>24,822,916</u>

The accompanying notes from pages 10 to 34 an integral part of the consolidated financial Statements



**Fahad Abdulrahman Al-Mukhaizim**  
Vice Chairman



**Abdul Muhsein Sulaiman Al-Meshan**  
Chief Executive Officer

**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait**

**Consolidated Statement of Profit or Loss**  
For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
<b>Income</b>			
Real estate revenue		296,546	216,464
Dividend distribution from financial assets at fair value through statement of other comprehensive income		-	12,500
Change in fair value of investment properties	5	5,036,303	-
Foreign exchange (loss) / gain	12	(4,415,225)	2,301
Interest income		2,147	1,038
Other income		-	12,800
		<u>919,771</u>	<u>245,103</u>
<b>Expenses and other charges</b>			
Staff cost		(49,668)	(51,923)
General and administrative expenses		(110,199)	(98,829)
Total expenses and other charges		<u>(159,867)</u>	<u>(150,752)</u>
<b>Profit for the period before deductions</b>		759,904	94,351
National Labour Support Tax		(19,050)	(962)
Zakat		(4,956)	-
<b>Net profit for the year</b>		<u>735,898</u>	<u>93,389</u>
<b>Attributable to:</b>			
Shareholders of the parent company		1,333,562	34,263
Non-controlling interest		(597,664)	59,126
<b>Profit for the year</b>		<u>735,898</u>	<u>93,389</u>
<b>Basic and diluted earnings per share attributable to shareholders of the Parent Company (fils)</b>	13	<u>7.57</u>	<u>0.19</u>

The accompanying notes from pages 10 to 34 an integral part of the consolidated financial statements



**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait**

**Consolidated Statement of Other Comprehensive Income  
For the Year ended 31 December 2023**

	<u>2023</u>	<u>2022</u>
	KD	KD
Net profit for the year	<u>735,898</u>	<u>93,389</u>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to the consolidated statement profit or loss :</b>		
Foreign currency translation differences	(6,066,578)	164,632
<b>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</b>		
Change in fair value	<u>(5,440,195)</u>	<u>4,655,540</u>
<b>Other comprehensive (loss) / income for the year</b>	<u>(11,506,773)</u>	<u>4,820,172</u>
<b>Total other comprehensive (loss) / income for the year</b>	<u>(10,770,875)</u>	<u>4,913,561</u>
<b>Attributable to:</b>		
shareholders of the parent company	(12,021,934)	4,815,650
Non-controlling interest	<u>1,251,059</u>	<u>97,911</u>
	<u>(10,770,875)</u>	<u>4,913,561</u>

The accompanying notes from pages 10 to 34 an integral part of the consolidated financial statements

Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait

Consolidated Statement of Changes in Equity  
For the Year ended 31 December 2023

	Capital	Statutory	Change in	Foreign	Accumulated	Sub-total	Non-	Total equity
	KD	reserve	fair value	currency	losses	KD	controlling	KD
		KD	reserve	translation	KD		interest	
			KD	reserve	KD		KD	KD
Balance as at 1 January 2022	17,627,690	139,253	1,134,570	(1,001,516)	(1,530,168)	16,369,829	3,166,488	19,536,317
Net profit for the year	-	-	-	-	34,263	34,263	59,126	93,389
Total other comprehensive income for the year	-	-	4,655,540	125,848	-	4,781,388	38,784	4,820,172
<b>Balance as at 31 December 2022</b>	<b>17,627,690</b>	<b>139,253</b>	<b>5,790,110</b>	<b>(875,668)</b>	<b>(1,495,905)</b>	<b>21,185,480</b>	<b>3,264,398</b>	<b>24,449,878</b>
Net profit for the year	-	-	-	-	1,333,562	1,333,562	(597,664)	735,898
Total other comprehensive (loss) / income for the year	-	-	(5,440,195)	(7,915,301)	-	(13,355,496)	1,848,723	(11,506,773)
The effect of a change in the proportion of a subsidiary	-	-	-	1,793,859	(1,082,944)	710,915	(710,915)	-
<b>Balance as at 31 December 2023</b>	<b>17,627,690</b>	<b>139,253</b>	<b>349,915</b>	<b>(6,997,110)</b>	<b>(1,245,287)</b>	<b>9,874,461</b>	<b>3,804,542</b>	<b>13,679,003</b>

The accompanying notes from pages 10 to 34 an integral part of the consolidated financial statements

**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries**  
**State of Kuwait**

**Consolidated Statement of Cash Flows**  
For the Year ended 31 December 2023

	<u>2023</u>	<u>2022</u>
	KD	KD
<b>Cash flows from operating activities</b>		
Net profit for the year	735,898	93,389
<i>Adjustments:</i>		
Dividend distribution from financial assets at fair value through statement of other comprehensive income	-	(12,500)
Depreciation of property and equipment	-	139
Interest income	(2,147)	(1,038)
Change in fair value of investment properties	(5,036,303)	-
Provision for end of service Indemnity	2,248	3,263
	<u>(4,300,304)</u>	<u>83,253</u>
<i>Changes in working capital:</i>		
Accounts receivable and other debit balances	221,600	(21,950)
Accounts payable and other credit balances	22,629	(58,184)
<b>Net cash (used in) / generated from operating activities</b>	<u>(4,056,075)</u>	<u>3,119</u>
<b>Cash flows from investing activities</b>		
Dividend distribution received	-	12,500
Interest income received	2,147	1,038
<b>Net cash generated from investing activities</b>	<u>2,147</u>	<u>13,538</u>
<b>Cash flows from Financing activities</b>		
Dividends paid	(394)	(4,306)
<b>Net cash used in financing activities</b>	<u>(394)</u>	<u>(4,306)</u>
Net (decrease) / increase in cash and cash equivalent	(4,054,322)	12,351
Foreign currency translation reserve	4,195,583	12,295
Cash and cash equivalent at beginning of the year	271,830	247,184
Cash and cash equivalent at end of the year	<u>413,091</u>	<u>271,830</u>

The accompanying notes from pages 10 to 34 an integral part of the consolidated financial statements

### **1. Incorporation and objectives**

The Kuwait Emirates Holding Company K.S.C.P (Formerly: Kuwait Syrian Holding Company) and its subsidiaries "the Parent Company" and its subsidiaries - the State of Kuwait - was established according to the memorandum of association of a Kuwaiti public shareholding company on 28 July 2002 and its subsequent amendments in accordance with the provisions in the State of Kuwait and under the memorandum of association and its amendments, and in accordance with the Kuwaiti Commercial Companies Law No. 15 of 1960 and its amendments. The last entry in the commercial registry is on 17 December 2022. The company is listed on Kuwait Stock Exchange.

The principal activities of the Parent Company are:

- Owning stocks in Kuwaiti or Non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment, lending and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns shares, guaranteeing them with other parties where the holding company owns 20% or more of the capital of the borrowing company.
- Owning industrial rights such as patents, industrial trademarks, royalties, or any other related rights, and leasing to other companies to use it inside and outside state of Kuwait.
- Owning properties and moveable property to conduct its operations within the limits as stipulated by law.
- Utilizing the company's available surplus funds in financial portfolio managed by specialized entities.

The head office of the parent company is located in Al Khaleejia Tower, Floor 3, Sharq, Kuwait.

These consolidated financial statements include the financial statements of the parent company and its subsidiaries as shown in Note No. (3) collectively referred to as the "Group".

This consolidated financial information was approved for issue by the Board of Directors on March 28, 2024 .

### **2. Adoption of new and revised Standards**

#### **a. New and revised Standards that are effective from 1 January 2023**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised International Financial Reporting Standards as of January 1, 2023:

##### Amendments to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

## **2. Adoption of new and revised Standards (continued)**

### **a. New and revised Standards that are effective from 1 January 2023 (continued)**

#### Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

#### Amendment to IAS 12 — deferred tax related to assets and liabilities arising from a single transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The adoption of the above amendments and interpretations did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

### **b. New and revised Standards issued but not yet effective**

At the date of authorization of these financial statements, the Group has not applied the following new and revised Standards that have been issued but are not yet effective

#### Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains .

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

#### Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

## **2. Adoption of new and revised Standards (continued)**

### **b. New and revised Standards issued but not yet effective (continued)**

#### Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

#### Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**2. Adoption of new and revised Standards (continued)**

**b. New and revised Standards issued but not yet effective (continued)**

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity.

These amendments/improvements/standards are not expected to have a material impact on the financial statements.

**3. Significant Accounting Policies**

**3.1. Statement of compliance**

The financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") and Companies Law No. 1 of 2016 and the Executive Regulations, as amended.

**3.2. Statement of compliance**

These financial statements have been prepared under the historical cost basis. The financial statements have been presented in Kuwaiti Dinars ("KD") which is the presentation and functional currency of the Group.

The preparation of financial statements for the Group in compliance with adopted ("IFRSs") requires use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

The principal accounting policies applied in the preparation of these financial statements are set out below.

**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait**

**Notes to the consolidated financial statements**  
For the Year ended 31 December 2023

**3. Significant Accounting Policies (continued)**

**3.3. Basis of consolidation**

The consolidated financial statements the "Parent Company" and its subsidiaries is as follows:

Company name	Main activities	Country of incorporation	Ownership percentage (direct and indirect) (%)	
			2023	2022
Kuwait Syrian Real Estate Company – W.L.L	Real Estate Trading and services	Kuwait	100	100
Syrian Kuwait Limited Company	Tourism	Syria	100	100
Al-Naser Gardens Holding Company – K.S.C (Holding)	Holding	Kuwait	60.9	60.9
<b>Subsidiary companies of Al-Nasser Gardens Holding Company – K.S.C. (Holding):</b>				
- Al-Naser Gardens Real Estate Company – W.L.L.	Real Estate	Kuwait	99	99
- Al-Naser Garden Syrian Company – Shareholding	General Trading	Syria	97.9	97.9

The subsidiaries total assets amounted to KD 11,827,243 as at 31 December 2023 (2022: KD 17,177,462) and its profits amounted to KD 875,698 for the year ended 31 December 2023 (2022: KD 107,271).

During the financial year ending on 31 December 2023, the Parent Company transferred 44.4% of the "Syrian Kuwaiti Limited Liability Company" to a subsidiary, "Al-Nasser Gardens Holding Company - K.S.C. (Holding)", and accordingly the direct ownership percentage of the Parent Company became 55.6% of the subsidiary "Syrian Kuwaiti Limited Liability Company".

Also, a percentage of 27.05% was added to the Parent Company's share indirectly as a result of the Parent Company's ownership of 60.9% of Al-Nasser Gardens Holding Company - K.S.C. (Holding), and accordingly the Parent Company's direct and indirect ownership percentage became 82.65% of the "Syrian" subsidiary. Kuwaiti Limited Liability Company.

Subsidiaries (investees) are those enterprises controlled by the Group. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:



### **3. Significant Accounting Policies (continued)**

#### **3.3. Basis of consolidation (continued)**

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

#### **3.4. Impairment of non-financial assets**

At the end of each reporting period, the Group reviews the carrying values of its non-financial assets to determine whether there is objective evidence that the value of these assets is impaired. If such evidence exists, the recoverable amount of the asset is estimated so that the amount of impairment loss (if any) can be determined. In cases where the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis for allocation can be identified, the group's assets are also allocated to individual cash-generating units or otherwise distributed to the smallest group of cash-generating units for which a reasonable and consistent basis for allocation can be identified.

### **3. Significant Accounting Policies (continued)**

#### **3.4. Impairment of non-financial assets (continued)**

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **3.5. Financial instruments**

The Group classifies its financial instruments as "Financial assets" and "Financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity according to the content of the contractual agreements.

Financial assets and financial liabilities included in the consolidated statement of financial position include accounts receivable and other debit balances, due from related parties, cash and bank balances, accounts payable and other credit balances and due to related parties.

##### **Financial assets**

##### **Recognition, initial measurement and derecognition**

To determine the classification and measurement category of financial assets, IFRS 9 requires assessment of all financial assets, except for equity instruments and derivatives, based on the Group business model for managing the Group assets and the contractual cash flows characteristics of these instruments.

The Group determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of sell business model and measured at fair value through profit or loss. The Group business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

### **3. Significant Accounting Policies (continued)**

#### **3.5. Financial instruments (continued)**

##### **Financial assets (continued)**

##### **Recognition, initial measurement and derecognition (continued)**

Purchases and sales of those financial assets are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the assets. The financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the Group transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Group transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Group retains control, it must continue to recognize the financial assets to the extent of its participation therein.

##### **Classification of financial assets**

Financial assets in the consolidated financial statements are classified upon initial recognition as financial assets at amortized cost.

##### **Subsequent measurement**

##### Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet both of the following conditions and are not classified as FVTPL:

- Held within a business model whose objective is to hold the asset to collect contractual cash flows, and
- Its contractual terms give rise, on certain dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses, if any. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when an asset is derecognized, modified or impaired.

Financial assets carried at amortized cost include accounts receivable and other debit balances, due from related parties, cash and bank balances classified as debt instruments at amortized cost.

##### Accounts receivable and other debit balances

Accounts receivable and other debit balances represent amounts due from customers for the sale of goods and services performed in the ordinary course of business. Accounts receivable and other debit balances are initially recognized at fair value and are subsequently measured at amortized cost using the effective rate of return method, less an allowance for impairment.

Accounts receivable and other debit balances that do not fall under any of the above are classified as "other debit balances".

##### Cash at banks

It represents cash at banks in the balance of current accounts with local banks. Current account balances are exposed to intangible risks in terms of changes in value.

### **3. Significant Accounting Policies (continued)**

#### **3.5. Financial instruments (continued)**

##### **Financial assets (continued)**

###### **Impairment of financial assets**

IFRS 9 applies the expected credit loss model. The impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income but does not apply to investments in equity instruments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, then discounting the shortfall at an approximation of the original effective interest rate on that asset.

For receivables and other receivable balances, the Group has applied the standard's simplified approach and calculated expected credit losses based on expected credit losses over the useful life. Accordingly, the Group does not track changes in credit risk and assesses impairment on an aggregated basis. The Group has established a provision matrix based on the Group's historical history of credit losses, adjusted for future specific customer and economic environment factors. Risk exposures are segmented based on general credit characteristics such as credit risk score, geographic region, business sector, distress status and age of the relationship, whichever is applicable.

For related party balances, the Group applies the forward-looking approach where the recognition of credit losses is no longer dependent on the Group initially identifying a credit loss event. Instead, the Group considers a wider range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and demonstrable expectations that affect the expected ability to collect future cash flows of the instrument.

The measurement of expected credit losses is determined by estimating the weighted probability of credit losses over the expected life of the financial instrument. Expected credit losses for financial assets measured at amortized cost are deducted from the total carrying amount of the assets and charged to the consolidated statement of profit or loss and other comprehensive income.

###### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; Or it transfers the financial asset and all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liabilities for the amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial asset and also recognizes a secured borrowing of the proceeds received.

###### **Financial liabilities**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVTPL or at amortized cost using effective interest rate method.

###### Accounts payable and other credit balances

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**3. Significant Accounting Policies (continued)**

**3.5. Financial instruments (continued)**

**Financial liabilities (continued)**

**Derecognition of financial liabilities**

Financial liabilities are derecognised when the obligation against the liability is canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing financial liability are substantially modified. The exchange or variation is treated as a derecognition of the asset liability and recognition of a new liability, and the difference between the relevant carrying amount is recognized in the consolidated statement of profit or loss and other comprehensive income.

**3.6. Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**3.7. Provisions**

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

**3.8. Provision for staff indemnity**

The provision for end-of-service benefits is calculated based on the accumulated service periods of employees at the date of the financial position in accordance with the provisions of the Kuwaiti Labor Law for the private sector. This unfunded liability represents the amount due to each employee in the event of termination of his services at the end of the reporting period and approximates the present value of the final indebtedness.

**3.9. Borrowing costs**

All borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

**3.10. Contingent liabilities**

Contingent liabilities are not recognized in the consolidation financial statements but disclosed except when the possibility of an outflow of economic losses is remote.

Contingent assets are not recognized in the consolidation financial statements but disclosed when an inflow of economic benefits is probable as a result of events had occurred in the past.

**3.11. Equity and reserves**

Share capital represents the nominal value of equity shares issued.

The mandatory reserve represents amounts transferred from the annual net profit to this account in accordance with the requirements of the provisions of the Group's Articles of Association and the Companies Law No. 1 of 2016 and its executive regulations and their amendments. Retained profits represent the current year's profit and profits from previous years.

### **3. Significant Accounting Policies (continued)**

#### **3.12. Investment properties**

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs. Subsequently, they are accounted at cost less accumulated depreciation and impairment losses. Land on which the investment property is constructed is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are derecognized when either they have been disposed of (i.e. at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **3.13. Properties held for trading**

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

#### **3.14. Investment in associates**

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. The Group's Investments in associates are accounted for using the equity method. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

**3. Significant Accounting Policies (continued)**

**3.14. Investment in associates (continued)**

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Unrealized gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in consolidated statement of profit or loss.

**3.15. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)**

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, National Labor Support Tax, Zakat, and after deducting the Parent Company's share of income from Kuwaiti shareholding subsidiaries and associates, transfer to statutory reserve, and any accumulated losses. No KFAS has been provided for since there was no KFAS has been provided for since there was no taxable profit on which KFAS could be calculated for the year ended 31 December 2023.

**3.16. National Labor Support Tax (NLST)**

National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and after deducting the Parent Company's share of profit from associates and subsidiaries listed in Boursa Kuwait, share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations.

**3.17. Zakat**

Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

### **3. Significant Accounting Policies (continued)**

#### **3.18. Foreign currencies**

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at FVTPL are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVOCI are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in the consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

In relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### **3.19. Sector information**

A segment is a separate component of the Group that is engaged in business activities from which it earns revenue or incurs expenses. Operating segments are disclosed on the basis of internal reports that are reviewed by the chief operating decision maker, who is the person responsible for allocating resources, assessing performance and making strategic decisions about the operating segments.

#### **3.20. Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determine the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenues when/as performance obligation(s) are satisfied

The total transaction price for a contract is allocated among the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.



### **3. Significant Accounting Policies (continued)**

#### **3.20. Revenue recognition (continued)**

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Group Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The group performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The group performance does not establish an asset that has an alternative usage to the Entity. The Entity has enforceable right in payments against the completed performance to date.

Control shall be transferred at a point in time if any of the criteria required for transferring goods or service is not met over time. The following items should be considered by the Group whether or not control over the assets is transferred:

- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

The group's revenues are as follows:

#### **Rental income**

Rental income from operating leases is recognized on a straight-line basis over the term of the lease.

#### **Other revenues and expenses**

Other income and expenses are recognized on an accrual basis.

#### **3.21. Leases Contracts**

##### **The Group as a lessor**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Other lease contracts are classified as financing leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

##### **Operating lease contract**

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

##### **The Group as a lessee**

The Group assesses at contract inception whether a contract is, or contains, a lease. The Group recognizes right-of use assets and the lease liabilities regarding all lease arrangements when it acts as the lessee.

### **3. Significant Accounting Policies (continued)**

#### **3.21. Leases Contracts (continued)**

##### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### **4. Significant Accounting Judgments and Key Sources of Estimation Uncertainty**

In the application of the Group accounting policies, which are described in Note 3 management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on the management's previous experiences and other relevant internal and external factors. Actual results may vary from these estimations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Significant management judgments**

In the process of applying the Group accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognized in the financial statements:

##### Useful life of property and equipment

The Group reviews the estimated useful lives over which property and equipment are depreciated. The Group's management is convinced that estimates of the useful lives of these assets are appropriate.

##### Classification of financial instruments

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires assessment of all financial assets - except equity instruments and derivatives - based on the Group business model for managing the assets and the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets as stated in Note 3.

##### Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in (Note 3.20) are met requires significant judgment.

##### Leases

Significant opinions on requirements for applying IFRS 16 include, among others, the following:

- Determine whether the contract (part thereof) contains a lease.
- Determine whether it is reasonably certain that extension or termination option will be exercised
- Classification of lease agreements (when the entity is the lessor).
- Determine whether the variable payments are substantially fixed.
- Determine whether there are multiple leases in the arrangement.
- Determine the sale price of leased and non-leased items.

#### **4. Significant Accounting Judgments and Key Sources of Estimation Uncertainty (continued)**

##### **Significant management judgments (continued)**

###### Contingent liabilities

Contingent liabilities are possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of future events, not wholly within the control of the Group management. The Group recognizes provisions for contingent liabilities when the loss therefrom is considered possible and can be reliably measured. In determining whether or not such provisions shall be recognized as well as the related amounts requires the exercise of significant management judgment. The Group uses the principles and criteria established within International Financial Reporting Standards and best practices prevailing within the industry in which it operates in making such judgments.

###### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

###### Impairment of non-financial assets

The Group management estimates whether there is an indication to impairment of non – financial assets. The recoverable amount of an asset is determined based on "value in use method". In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

###### Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in consolidated statement of profit or loss. The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

Two main methods were used to determine the fair value of the investment properties:

- a) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

###### Valuation of properties held for trading

Properties held for trading purposes are stated at the lower of cost or net realizable value. The net realizable value of completed properties is assessed by reference to prevailing market factors and prices as at the date of the consolidated financial statements, which are determined by the Group based on comparative transactions for other properties in the same geographical sector and of a similar category.

###### Leases

The main items of estimation uncertainty for application of IFRS 16 include the following:

- Assessment of the lease term.
- Determination of the proper discount rate for the lease payments.
- Assessment whether right-of use assets have impaired.

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**5. Investment properties**

	<u>2023</u>	<u>2022</u>
	KD	KD
Balance at beginning of the year	12,725,426	12,568,838
Change in fair value	5,036,303	-
Foreign currency translation differences	<u>(10,261,767)</u>	<u>156,588</u>
Balance at end of the year	<u>7,499,962</u>	<u>12,725,426</u>

Investment properties of the group are located in the Arab Syrian Republic.

The fair value of investment properties as at 31 December 2023 has been arrived at on the basis of the evaluations prepared by independent evaluators with experience and professional competence using recognized valuation principles and methods.

The fair value of investment properties was determined based on the evaluation principles - comparative market prices - "level two", taking into account the nature of the use of these investment properties.

**6. Financial assets at fair value through statement of other comprehensive income**

	<u>2023</u>	<u>2022</u>
	KD	KD
Foreign quoted shares	1,311,496	6,700,944
Local unquoted shares	156,704	203,743
Foreign unquoted shares	<u>644,594</u>	<u>648,302</u>
	<u>2,112,794</u>	<u>7,552,989</u>

The movement on financial assets at fair value through the statement of other comprehensive income during the year is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
Balance at beginning of the year	7,552,989	2,897,394
Change in fair value	(5,440,195)	4,655,540
Foreign currency translation	-	55
Balance at end of the year	<u>2,112,794</u>	<u>7,552,989</u>

The fair value of the financial assets at fair value through the statement of other comprehensive income was reached in accordance with the evaluation principles as shown in Note No. (20).

**7. Properties held for trading**

The balance of this item represents the cost of purchasing real estate for the purpose of resale. The real estate is managed by a real estate company, and the net rents of those real estate are included in the consolidated statement of profit or loss. The group evaluates them at the end of each year based on independent external evaluators with experience and professional competence, using generally accepted evaluation principles and methods - income approach - the "third level" and taking into account the nature of the use of these properties. It was found that there is no decrease in the value required to be recorded for these properties.

**Notes to the consolidated financial statements**  
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**8. Cash and cash equivalent**

	<u>2023</u>	<u>2022</u>
	KD	KD
Term deposits	55,533	55,170
Cash at banks	356,943	216,660
Cash on hand	615	-
	<u>413,091</u>	<u>271,830</u>

**9. Capital**

The capital consists of KD 17,627,690 authorized, issued and fully paid 176,276,900 shares with a nominal value of 100 fils per share (2022: KD 17,627,690 authorized, issued and fully paid 176,276,900 shares with a nominal value of 100 fils per share) and all shares are paid in cash.

**10. Statutory reserve**

In accordance with the requirements of the Companies Law and the parent company's bylaws, 10% of the profit for the year attributable to the shareholders of the parent company before calculating the share of the Kuwait Foundation for the Advancement of Sciences, the national labor support tax and zakat is transferred to the mandatory reserve. The parent company may stop this transfer when the reserve balance exceeds 50% of the capital. the money. This reserve is not distributable except in cases stipulated by the law and the parent company's articles of association. The transfer to the statutory reserve account was not made due to accumulated losses.

**11. Accounts payable and other credit balances**

	<u>2023</u>	<u>2022</u>
	KD	KD
Trade payables	317,155	326,525
Accrued dividends	21,835	22,229
National Labour Support Tax	19,085	997
Zakat	5,095	139
Other credit balances	15,521	6,172
	<u>378,691</u>	<u>356,062</u>

**12. Foreign exchange (loss) / gain**

This item represents revaluation losses in Syrian pounds for one of the group's subsidiary companies, "Syrian Kuwait Limited Company", resulting from the significant decline in the exchange rate of the Syrian pound against foreign currencies in the financial year ending on 31 December 2023.

**13. Basic and diluted earnings per share attributable to shareholders of the Parent Company**

Earnings as per share has been calculated by dividing the net profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	<u>2023</u>	<u>2022</u>
Net profit for the year attributable to the shareholders of the Parent Company (Kuwaiti Dinars)	<u>1,333,562</u>	<u>34,263</u>
Weighted average number of shares outstanding and paid up (share)	<u>176,276,900</u>	<u>176,276,900</u>
Basic and diluted earnings as per share attributable to shareholders of the Parent Company (Fils)	<u>7.57</u>	<u>0.19</u>

**Kuwait Emirates Holding Company K.S.C.P and its subsidiaries  
State of Kuwait**

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**14. Principal subsidiaries with major non - controlling interests which are material to the Group**

Company name	Main activities	Country of incorporation	Ownership interest held by the group		Ownership interest held by the NCI	
			2023	2022	2023	2022
Al-Naser Gardens Holding Company – K.S.C (Holding)	Holding	Kuwait	39.1	39.1	3,403,696	3,345,050

The following is a summary of the financial statements of the principal subsidiary with major non-controlling interests which are material to the group:

	<u>2023</u>	<u>2022</u>
	KD	KD
<u>Summary of the consolidated statement of financial position:</u>		
Current assets	2,879,630	2,779,556
Non-current assets	5,946,251	5,986,203
Current liabilities	(199,630)	(288,360)
	<u>8,626,251</u>	<u>8,477,399</u>
Add: non-controlling interests	84,848	83,605
Net assets	<u>8,711,099</u>	<u>8,561,004</u>
Net assets attributable to owners of the parent company	<u>5,307,403</u>	<u>5,215,954</u>
Net assets attributable to non-controlling interests	<u>3,403,696</u>	<u>3,345,050</u>
	<u>2023</u>	<u>2022</u>
	KD	KD
<u>Summary of the consolidated statement of profit or loss:</u>		
Income	445,379	169,189
Expenses	(20,443)	(18,266)
Profit for the year	<u>424,936</u>	<u>150,923</u>
Profit for the year attributable to owners of the parent company	<u>258,900</u>	<u>91,953</u>
Profit for the year attributable to non-controlling interests	<u>166,036</u>	<u>58,970</u>

**15. Related parties' disclosures**

Related parties represent the shareholders of the Group who have representation on the Board of Directors, members of the Board of Directors, senior management personnel, their close family members and companies owned by them. In the normal course of business and with the approval of the Group's management, transactions with those parties during the year ended on 31 December 2023. The following are the significant transactions and balances with related parties:

	<u>2023</u>	<u>2022</u>
	KD	KD
<b>Balances in consolidated statement of financial position</b>		
Key management compensation	4,758	5,371

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15. Related parties' disclosures (continued)

	2023	2022
	KD	KD
<b>Transactions in the consolidated statement of profit or loss</b>		
Key management compensation	31,800	37,700

These transactions with related parties are subject to the approval of the general assembly of shareholders of the parent company.

16. Operating segments

The management has determined the operating segments based on the reports submitted to the Board of Directors for the purpose of making strategic decisions.

The following is a summary of the activity of each of the Group's sectors to be reported:

- Investment: includes the Group's activities related to trading in securities and investment.
- Real estate: includes real estate trading, development and management.

	2023		
	Investment	Real estate	Total
	KD	KD	KD
Sector revenue	61	5,334,935	5,334,996
Sector expenses	(4,554,991)	(44,107)	(4,599,098)
Sector results	(4,554,930)	5,290,828	735,898
Sector assets	2,249,675	11,827,243	14,076,918
Sector liabilities	391,451	6,464	397,915
	2022		
	Investment	Real estate	Total
	KD	KD	KD
Sector revenue	14,866	230,237	245,103
Sector expenses	(130,588)	(21,126)	(151,714)
Sector results	(115,722)	209,111	93,389
Sector assets	7,645,454	17,177,462	24,822,916
Sector liabilities	359,049	13,989	373,038

The following is the geographical distribution of assets and liabilities:

	2023		
	Kuwait	Syria	Total
	KD	KD	KD
Assets	4,660,601	9,416,317	14,076,918
Liabilities	397,822	93	397,915
	2022		
	Kuwait	Syria	Total
	KD	KD	KD
Assets	4,568,536	20,254,380	24,822,916
Liabilities	372,650	388	373,038

**17. Developments in the Arab Republic of Syria**

The Group's assets located in the Syrian Arab Republic amounted to KD 9,416,317 as of 31 December 2023, representing approximately 67% of the group's total assets (KD 20,254,380 as of 31 December 2022, representing approximately 82% of the group's total assets).

As a result of the recent developments in the Arab Republic of Syria regarding the significant decline in the exchange rate of the Syrian pound against foreign currencies on 30 July 2023, it resulted in a material decrease in the net assets of those subsidiaries, which resulted in foreign currency translation differences for the financial year ending on 31 December 2023, in the amount of KD 7,915,301, which were included in the consolidated statement of other comprehensive income.

The Group has assessed that the future political and economic events is unlikely to have any material effect on the carrying value of these assets except for the current effect, taking into consideration that these assets are recorded at its fair values which reflect the impact of the current circumstances. In addition, there are no restrictions on the disposition of these assets.

The Group's management believes that the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" has no material impact on the financial statements of the subsidiaries in the Syrian Arab Republic taking into consideration the above, in additional, most of the long-term assets have been transferred and registered in these companies, so as to reflect the effect of changes in currency rates.

**18. The General Assembly of the Shareholders of the Parent Company**

As on 11 May 2023, the general ordinary assembly meeting of the shareholders of the Parent Company approved the consolidated financial statements for the financial year ended on 31 December 2022 and approved the Board of Directors' recommendation not to distribute dividends and not to pay Board of Directors remunerations for the financial year ended on 31 December 2022.

As on 9 June 2022, the general ordinary assembly meeting of the shareholders of the Parent Company approved the consolidated financial statements for the financial year ended on 31 December 2021 and approved the Board of Directors' recommendation not to distribute dividends and not to pay Board of Directors remunerations for the financial year ended on 31 December 2021.

**19. Financial Risk**

**Financial risk**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. Market risk is divided into foreign currency risk, profit rate risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2023 and 31 December 2022.

The Group's management bears the main responsibility for developing risk management policies and strategies.



Notes to the consolidated financial statements  
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19. Financial Risk (continued)

Financial risk (continued)

Categories of financial instruments

	<u>2023</u>	<u>2022</u>
	KD	KD
<b>Financial assets</b>		
Financial assets at fair value through the statement of other comprehensive income	2,112,794	7,552,989
Accounts receivable and other debit balances	100,321	321,921
Cash and cash equivalents	413,091	271,830
<b>Financial liabilities</b>		
Accounts payable and other credit balances	378,691	356,062

The Group's management reviews and agrees the policies for managing these risks summarized below:

**Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of debit balances on an ongoing basis. The Group limits its credit risk with regard to bank balance by only dealing with reputable banks. In addition, debit balances are monitored on an ongoing basis. Accordingly, the Group's exposure to bad debts is insignificant .

*Maximum credit risk exposure*

The Group's exposure to credit risk from financial assets arises from default of the counterparty. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in the value. The maximum exposure to credit risk is the carrying amount of the financial assets, which is stated in the statement of financial position.

*Risk of impairment of financial assets*

Financial assets exposed to impairment include "cash and cash equivalents", "receivables and other debit balances".

*Accounts receivable and other debit balances*

The Group adopts the simplifies approach in accordance with IFRS 9 to measure ECLs through using provision for ECLs based on the period of ECLs for all receivables.

Receivables are consolidated based on characterizations of the mutual credit risk and its maturity in order to measure ECLs. Accordingly, the Group's management believes that ECLs rate on receivables represent a reasonable approximation of actual results of customer default in the subsequent periods.

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators include lack of a reasonable expectation of recovery, among other matters, e.g. the failure of the customer to subscribe to a payment plan with the Group and lack to make contractual payments for more than 365 days.

The Group continues to use both changes in the delay period and the probability of default as an indicator of a significant increase in credit risk. The Group also reviewed the methodologies and assumptions used, taking the impact of the coronavirus pandemic into account when providing forward-looking information.

While other receivables and due from related parties are also subject to the credit loss requirements in IFRS 9, the impairment loss is not material.

Notes to the consolidated financial statements  
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19. Financial Risk (continued)

Credit risk (continued)

Cash at Banks

Bank balances are also subject to the requirements for credit losses contained in IFRS 9, as bank balances are deposited with financial institutions with a high credit rating. Accordingly, the group's management believes that the impairment loss in the value of bank balances is immaterial.

The carrying amounts of financial assets represent the maximum exposure to credit risk. The maximum net exposure to credit risk for asset classes at the financial reports date is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
Accounts receivable and other debit balances	100,321	321,921
Term deposit and cash at banks	<u>412,476</u>	<u>271,830</u>
	<u>512,797</u>	<u>593,751</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter the difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, valid and available bank credit lines and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2023 and 2022, the carrying amount of the Group's liabilities with maturity less than 12 months was not materially different from their contractual undiscounted figures.

Maturity table for financial liabilities

	<u>2023</u>	
	<u>From 3 to 12 months</u>	<u>Total</u>
	KD	KD
Accounts payable and other credit balances	<u>378,691</u>	<u>378,691</u>
	<u>378,691</u>	<u>378,691</u>
	<u>2022</u>	
	<u>From 3 to 12 months</u>	<u>Total</u>
	KD	KD
Accounts payable and other credit balances	<u>356,062</u>	<u>356,062</u>
	<u>356,062</u>	<u>356,062</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rate and equity price will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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19. Financial Risk (continued)

Market risk (continued)

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will change as a result of fluctuations in foreign exchange rates. The Group is exposed to foreign currency risk arising from transactions in currencies other than the Kuwaiti dinar. The Group can reduce its exposure to fluctuations in foreign exchange rates through its use of derivative financial instruments. The Group is keen to keep its net exposure to foreign currency risks at a reasonable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti dinar.

(ii) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk since the assets and liabilities carry fixed profit rates.

(iii) Equity price risk

Equity price risk is the risk that the fair value of equity instruments declines as a result of changes in the level of equity indices and the value of individual stocks. To manage these risks, the group diversifies the sectors invested in its investment portfolio, and monitors them on an ongoing basis.

The following statement shows the sensitivity of a reasonable change in equity indicators as a result of changes in the fair value of equity instruments to which the Group has significant exposure as at the date of the consolidated financial statements:

	2023	
	Change in the price of equity instruments	Impact on consolidated other comprehensive income
	KD	KD
Financial assets at fair value through the statement of other comprehensive income	%5 +	105,640
Total		<u>105,640</u>

	2022	
	Change in the price of equity instruments	Impact on consolidated other comprehensive income
	KD	KD
Financial assets at fair value through the statement of other comprehensive income	%5 +	377,649
Total		<u>377,649</u>

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**20. Fair value measurement**

The Group measures financial assets as financial assets at fair value through statement of other comprehensive income at the end of the reporting period.

Fair value represents the amount that could be received from selling an asset or could be paid to settle a liability through an arm's length transaction between market parties as of the measurement date. The fair value measurement is based on the assumption that the process of selling the asset or paying the liability is completed in one of the following ways:

- Through the main market for the asset or liability.
- Through the most profitable market for the asset or liability in the absence of a major market.

All assets and liabilities that are measured or disclosed at fair value in the consolidated financial statements are classified through a sequential measurement level based on the lowest significant input level relative to the fair value measurement as a whole as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (for example, price inputs).
- Level 3: Inputs derived from valuation techniques that include inputs for assets or liabilities that are not based on market data and are supported by identifiable sources (inputs not supported by identifiable sources).

The following table shows an analysis of items recorded at fair value, according to the level of the fair value hierarchy:

	Fair value as at		fair value level	Valuation technique(s) and key input(s)
	2023	2022		
<b>Financial assets</b>				
Financial assets at fair value through statement of other comprehensive income:				
Foreign quoted shares	1,311,496	6,700,944	Level 1	Closing price
Local unquoted shares	156,704	203,743	Level 2	Comparative market price
Foreign unquoted shares	550,642	554,350	Level 3	Discounted cash flows
Foreign unquoted shares	93,952	93,952	Level 3	Adjusted book value
<b>Total</b>	<b>2,112,794</b>	<b>7,552,989</b>		
<b>Non-financial assets</b>				
Investment properties	7,499,962	12,725,426	Level 2	Comparative market price

Reconciliation to determine fair value for Level 3:

	2023	2022
	KD	KD
Balance at beginning of the year	648,302	648,247
Change in fair value	(3,708)	55
Balance at end of the year	644,594	648,302